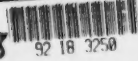


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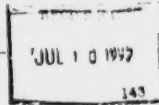
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Form 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549



FORM 10-Q
(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 21, 1992

☐ OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-14892

LE PEEP RESTAURANTS, INC.

(Exact name of Registrant
as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-0917803
(I.R.S. Employer
Identification No.)

4 West Dry Creek Circle, Suite 201, Littleton, CO 80120
(Address of principal executive offices)

(Zip Code)

(303) 730-6300

(Registrant's telephone number including Area Code)

#4 West Dry Creek Circle, Suite 201, Littleton, CO 80120

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

As of June 30, 1992 the registrant had 7,156,203 shares of Common Stock outstanding.

PROCESSED BY
Kellie
JUL 13 1992

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PART I

Item 1: CONSOLIDATED FINANCIAL STATEMENTS

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>March 21, 1992</u> (Unaudited)	<u>December 31, 1991</u>
Current assets:		
Cash and equivalents	\$343,749	\$294,569
Trade and other receivables	33,487	63,764
Inventories	91,442	121,246
Prepaid expenses	202,060	294,916
Preopening expenses		
Other current assets	<u> </u>	<u> </u>
Total current assets	670,738	774,495
Property and equipment, net	2,926,807	3,532,058
Net investment in capital lease	871,658	261,476
Goodwill (net of accumulated amortization of \$26,653 in 1992 and \$24,205 in 1991)	88,347	90,795
Trademarks (net of accumulated amortization of \$150,886 in 1992 and \$146,260 in 1991)	549,114	553,140
Other intangible assets (net of accumulated amortization of \$7,815 in 1992 and \$7,605 in 1991)	28,185	28,395
Other assets	<u>238,231</u>	<u>292,436</u>
	<u>\$5,373,080</u>	<u>\$5,532,795</u>

(continued)

See accompanying notes

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES & STOCKHOLDERS' DEFICIT

	<u>March 21, 1992</u> <u>(Unaudited)</u>	<u>December 31, 1991</u>
Current liabilities:		
Accounts payable	\$ 426,733	\$ 473,192
Interest payable to affiliates	1,615,718	1,491,347
Other accrued liabilities	986,894	1,092,790
Current portion of capital lease obligations:		
Affiliates		—
Other	136,083	136,083
Current portion of notes and loans payable:		
Banks		
Affiliates	15,454,852	15,010,650
Total current liabilities	18,620,280	18,204,062
Notes and loans payable to Affiliates	611,847	611,847
Capital lease obligations:		
Affiliates	524,148	524,148
Other	301,358	335,685
Deferred franchise income	230,000	230,000
Stockholder's equity:		
Common stock, \$.01 par value; authorized 11,000,000 shares, issued and outstanding 7,156,203 shares in 1992 and 7,118,055 shares in 1991	71,560	71,180
Non-voting senior adjustable rate exchangeable cumulative preferred stock:		
Series A, \$.01 par value; \$100 per share liquidation preference; authorized 34,600 shares	140	140
Series B, \$.01 par value, \$100 per share liquidation preference, authorized, issued and outstanding 14,000 shares		
Series C, \$.01 par value; \$100 per share liquidation preference, authorized 50,000 shares		
Series D, \$.01 par value; \$100 per share liquidation preference, authorized 23,400 shares		
Series E, \$.01 par value; \$100 per share liquidation preference, authorized 30,000 shares, issued and outstanding 11,525 shares	115	115
Additional paid-in capital	22,088,808	22,022,430
Accumulated deficit	(37,075,176)	(36,466,812)
Total stockholders' deficit	<u>\$ (14,914,553)</u>	<u>\$ (14,372,947)</u>
Total liabilities and stockholder's deficit	<u>5,373,080</u>	<u>5,532,795</u>

See accompanying notes.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Periods Ended	
	<u>March 21, 1992</u>	<u>March 23, 1991</u>
	(Unaudited)	(Unaudited)
Revenues:		
Restaurant sales	\$2,351,733	\$3,592,810
Dinner Test Sales	12,984	79,351
Area development and franchise fees		60,000
Area development rights cancelled		40,000
Franchise royalties	14,268	95,930
Interest and other income	<u>23,090</u>	<u>41,145</u>
	2,402,095	3,909,236
Costs and expenses:		
Cost of sales	578,368	918,296
Restaurant operating costs	1,724,329	2,678,084
Dinner test costs and expenses	12,370	107,123
General and administrative expenses	357,517	522,626
Provision for asset writedown and store closure		33,000
Amortization of preopening expenses and intangibles	6,683	48,185
Interest and other expense	<u>331,172</u>	<u>339,575</u>
	3,010,459	4,646,891
Net loss	\$(608,364)	\$(737,655)
Dividend requirement on preferred stock	<u>(74,790)</u>	<u>(83,582)</u>
Loss attributable to common stock	<u>\$(683,154)</u>	<u>\$(821,237)</u>
Net loss per common share	<u>\$(0.10)</u>	<u>\$(0.12)</u>
Weighted average common shares outstanding	<u>7,156,203</u>	<u>7,117,969</u>

See accompanying notes.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Periods Ended March 21, 1992 (Unaudited)	March 23, 1991 (Unaudited)
Cash flows from operating activities:		
Net loss	\$(608,364)	\$(737,655)
Adjustments to reconcile net loss to net cash used by operating activities:		
Provision for restaurant closure		33,000
Depreciation and amortization	161,849	310,855
Area development and franchise fees in excess of proceeds		(60,000)
Changes in assets and liabilities:		
(Decrease) in accounts receivable	30,277	89,481
Decrease (increase) in inventories	29,804	6,366
Decrease in prepaid and other current assets	92,856	(50,736)
(Decrease) increase in accounts payable and accrued expenses	1,179	236,958
Increase in deferred royalty income		7,994
(Increase)decrease in other assets	<u>41,614</u>	<u>5,988</u>
Total adjustments	<u>357,579</u>	<u>579,906</u>
Net cash used in operating activities	(250,785)	(157,749)
Cash flows from investing activities:		
Acquisitions of property and equipment	(69,096)	(49,057)
Preopening expenditures		
Net cash used in investing activities	<u>(69,096)</u>	<u>(49,057)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(35,939)	(44,462)
Principal payments and other reductions on amounts due to affiliate		
Principal payments on notes payable to banks and others		
Proceeds from notes payable to bank		
Advances from affiliates	<u>405,000</u>	<u>409,720</u>
Net cash provided by financing activities	<u>369,061</u>	<u>365,258</u>
Net increase (decrease) in cash	49,180	158,452
Cash and equivalents at beginning of year	<u>294,569</u>	<u>24,709</u>
Cash and cash equivalents at end of period	<u>\$343,749</u>	<u>\$183,161</u>
Supplemental schedule of non cash investing and financing activities:		
Issuance of common stock under employment agreement	\$66,758	0
Issuance of common stock under employee stock ownership plan	0	0
Reclassification of reserve for writedown from property and equipment to accrued liabilities	0	0
Capitalized accrued interest on advances	0	\$684,558

See accompanying notes.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The condensed consolidated financial information for Le Peep Restaurants, Inc. and Subsidiaries (the "Company") included herein is unaudited with the exception of the Balance Sheet as of December 31, 1991; however, such information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991. The results of operations for the three periods ended March 21, 1992 are not necessarily indicative of the operating results for the full year.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

General

Le Peep Restaurants, Inc. (the "Company") owns, operates, licenses and franchises Le Peep restaurants. The Company's restaurants specialize in distinctive breakfast, brunch, lunch and dinner dishes cooked to order using original recipes. Le Peep restaurants feature prompt table service in a pleasant and attractive setting designed to appeal to relatively upscale customers.

The Company does not rely on any one vendor for raw materials and supplies with which to supply its restaurants. There are many well known alternative vendors in the market place that could meet the Company's needs should current vendors go out of business. The Company utilizes 15% to 25% of its current assets to maintain a sufficient inventory of food and supplies to meet operations needs.

The Company's training program for new restaurants consists of 4 to 6 weeks of pre-opening training in an existing restaurant. This training is done under the supervision of a training manager and district manager. After opening, the district manager continues to monitor and follow up on training to ensure standards are maintained.

During 1989 the Company developed and implemented a dinner test program in selected Company owned and franchised restaurants. The first restaurant opened for dinner on August 28, 1989. As of March 31, 1991, 4 Company owned and 13 franchised restaurants were serving dinner, and as of June 30, 1992, 2 Company owned and 3 franchised restaurants were open for dinner.

New Developments

Partnership Program. During the third quarter of 1991, the Company developed a program ("Partnership Program") under which marginal Company owned restaurants are financed and operated by other entities. Under the Partnership Program existing officers and employees of the Company have formed or will form separate entities ("Affiliated Entities"), such as limited liability companies or S corporations. The Affiliated Entities, all of which to date are owned and controlled by Mitchel E. Rhoads, the Company's Chairman, in turn have entered or will enter into Partnership Agreements with qualified restaurant operators, consisting of either former employees of the Company or other persons experienced in operating restaurants who have been approved by the Company. In effect, each Affiliated Entity which becomes a partner in a partnership will be the financial partner and furnish the necessary capital to such partnerships to enable the restaurant owned by such partnership ("Partnership Restaurant") to operate. Each qualified restaurant operator ("Operating Partner") provides necessary services to supervise and manage the Partnership Restaurant on a full time basis. Generally, each Affiliated Entity and each Operating Partner share in any profits of the

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

partnership on a 51% and 49% basis, respectively. In addition, each Operating Partner is paid a fixed salary.

Each partnership which operates a Partnership Restaurant is required to enter into a Memorandum of License Agreement and Leasehold Improvement ("License Agreement") with the Company granting such partnership the right to use Le Peep Restaurants' logo, trademarks, trade names, service marks, service system, recipes and menus.

Under certain License Agreements, the Company receives no royalty fees, other than a nominal amount. Under other License Agreements, the Company is entitled to royalty fees of up to 1.5% of all sales by each Partnership Restaurant. In addition, each partnership is required to enter into an Assignment or Sublease Agreement with the Company which grants the partnership a sublease for the remaining term of the underlying facility lease of the Partnership Restaurant and for the leasehold improvements to be operated by such partnerships. Under each Sublease Agreement, each partnership is required to pay rent equal to the amount due under the existing underlying lease agreement for which the Company remains liable. Also, each partnership is required to purchase or lease the equipment and other items of personal property located in the Partnership Restaurant for a period ranging from 60 months to 120 months.

During the first quarter of 1992 4 partnerships were formed under the Partnership Program to operate 4 Partnership Restaurants at the locations below for the monthly equipment lease payments, monthly sublease payments, and royalty fees as follows:

<u>Name of Partnership</u>	<u>Locations of Partnership Restaurants</u>	<u>Monthly Equipment Lease Payments</u>	<u>Monthly Sublease Payments</u>	<u>Royalty</u>
Le Peep Grill of Overland Park	Overland Park, KS	\$2,730	\$6,859	1.5%
Le Peep Grill of Texas	Beltline, Addison, TX	2,101	7,783	1.0%
Le Peep Grill of Illinois	Evanston, IL	2,246	9,809	1.0%
Le Peep Grill of Illinois	Park Ridge, IL	2,029	7,744	1.0%

The Company's Chairman is the controlling financial partner of the Affiliated Entities with respect to each of the 4 Partnership Restaurants described above.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Change of Controlling Interest in the Company. Effective February 5, 1992, Mitchel E. Rhoads purchased shares of the Company's common stock and the Company's Series B and E Non-voting Senior Adjustable Rate Exchangeable Cumulative Preferred Stock owned by Eli S. Jacobs and certain corporations and partnerships controlled by Mr. Jacobs ("Jacobs Affiliates" or "his affiliates") and most indebtedness owed by the Company to Eli S. Jacobs and his Affiliates as described in more detail in a Form 8-K filed with the Securities Exchange Commission on March 12, 1992 and as amended on June 1, 1992 by Form 8, both of which are attached as Exhibit 28.4 to this report and incorporated herein by reference.

Mr. Rhoads intends to convert to shares of the Company's common stock a portion of the Company's obligations owed to Mr. Jacobs and his Affiliates ("Obligations to Jacobs"), which were purchased by Mr. Rhoads. It is expected that the Company will issue additional shares of the Company's common stock, in an amount to be determined by the Company, in exchange for the retirement of such portion of the Obligations to Jacobs purchased by Mr. Rhoads. As a consequence, it is anticipated that after the retirement of such Obligations to Jacobs purchased by Mr. Rhoads, the Company will owe Mr. Rhoads a total of \$1,484,323, plus interest thereon, which represents the amount of principal and interest owed by Mr. Rhoads to Mr. Jacobs and his Affiliates as set forth in the Form 8-K as amended by Form 8 both of which are attached hereto as an Exhibit 28.4 and incorporated by reference.

It is further anticipated that the Company will submit to its shareholders in the near future a proposal for a reverse split of its common stock as a step in attracting additional financing. Such proposal, if submitted to the Company's shareholders, would be assured of approval in that Mr. Rhoads currently beneficially owns approximately 75% of the Company's outstanding common stock which is the Company's only class of common stock entitled to vote in matters to be approved by its shareholders. Upon shareholder approval of a reverse stock split, the conversion of a portion of the Obligations to Jacobs to shares of the Company's common stock, and payments to fractional shareholders, Mr. Rhoads is expected to own approximately 95% of the outstanding shares of the Company's common stock.

Status of Le Peep Restaurants

At March 21, 1992, there were 16 Company owned restaurants, 26 franchised restaurants, and 11 licensed restaurants. During the first quarter ending March 21, 1992, 4 Company owned restaurants were converted to licensees (Partnership Restaurants). During the first quarter ending March 21, 1992, 1 licensed restaurant was opened.

Between March 21, 1992, and June 30, 1992, 6 Company owned restaurants were converted to licensees (Partnership Restaurants), 1 licensed restaurant was opened and 24 franchised restaurants were converted to licensed restaurants. As of June 30, 1992, there were 9 Company owned restaurants, 2 franchised restaurants and 40 licensed restaurants.

At March 21, 1992, the Company had in effect 3 Area Development Agreements, representing rights for licensees to develop up to 23 Le Peep restaurants in 5 states and the District of Columbia.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Working Capital Loans

During 1991 and prior to February 5, 1992, the effective date of Mr. Rhoads' purchase of the common and preferred stock and certain indebtedness owed by the Company to Mr. Jacobs and his Affiliates, the Company was able to finance its working capital deficiencies with loans from Jacobs' Affiliates in the total amount during such period of \$1,669,720 with interest on such principal amount accruing at a bank's prime rate plus 1 1/2%. Such loans are not evidenced by promissory notes, with the exception of \$39,000, and are payable upon demand. As of February 5, 1992, the effective date that Mr. Rhoads' purchase from Mr. Jacobs and his Affiliates was consummated, no request had been made by Mr. Jacobs or his Affiliates for any payments on any such loans. Such loans which were included in the loans purchased by Mr. Rhoads are subject to payment upon demand by Mr. Rhoads. However, see "New Developments - Change of Controlling Interest in the Company" above as to Mr. Rhoads' intentions.

Under a Loan Agreement between Mr. Rhoads and Mr. Jacobs, dated February 5, 1992, as amended ("Loan Agreement"), Mr. Jacobs and his Affiliates agreed to loan to Mr. Rhoads up to \$644,813, of which \$343,853 is required to be advanced by Mr. Rhoads to the Company to be used exclusively for general working capital purposes ("Working Capital Loan"). As of April 30, 1992, the full amount of the Working Capital Loan had been advanced by Mr. Jacobs to Mr. Rhoads, who subsequently advanced such amounts to the Company.

The remaining balance of up to \$500,960, as provided under the Loan Agreement, is to be loaned by Mr. Jacobs to Mr. Rhoads, upon the written request of Mr. Rhoads, over a period of 16 months beginning with the first loan installment in February, 1992. The funds from such loans are required to be advanced by Mr. Rhoads to the Company for the payment of current rent under certain existing restaurant leases as set forth in the Loan Agreement which is described in the Form 8-K, as amended by Form 8, both of which are attached hereto as Exhibit 28.4 and incorporated by herein reference.

In addition, under the First Amendment to the Loan Agreement, on February 28, 1992 and March 31, 1992, upon written request of Mr. Rhoads, Mr. Jacobs is required to make a loan to Mr. Rhoads of \$60,000 and in addition upon the written request of Mr. Rhoads, Mr. Jacobs is required to make a loan in the principal amount of \$20,000. The Funds from such loans are required to be advanced by Mr. Rhoads to the Company for payment of amounts due Diversified Properties Company III ("Diversified") in settlement of its claim against the Company and others as set forth in the Conditional Settlement, Mutual General Release and Lease Cancellation Agreement, dated February 27, 1992 among Diversified, the Company, E.S. Jacobs and Company and P.J.L. Southern California Restaurants Corporation.

The Company is placing, as a major priority, the improvement of its operating revenues from Company restaurants and substantial reductions of operating overhead to offset reduced franchise revenues. No major franchising activities are planned that would substantially change the franchise growth rates.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three Periods Ended March 21, 1992 Compared to Three Periods Ended March 23, 1991

Breakfast/lunch sales for the three periods ended March 21, 1992 decreased by \$1,241,077 when compared to the three periods ended March 23, 1991. This reduction is primarily due to the reduction of company owned restaurants from 29 open and operating at the end of the first quarter of 1991 to 16 open and operating at the end of the first quarter of 1992. Comparable restaurants sales decreased by 2.5% when compared to the same period in 1990. As of the end of the first quarter 1992 the company had 16 restaurants operating, while in 1991 30 restaurants were operating for the same time period.

Dinner test sales decreased by \$66,367 for the three periods ended March 21, 1992 when compared to the three months ended March 23, 1991. This decrease is a result of a reduction of the number of restaurants serving dinner; 1 company restaurant was serving dinner as of the end of the 1st quarter of 1992; this is compared to 4 company restaurants serving dinner at the end of the 1st quarter of 1991.

No revenues from Area Development Agreements (ADA's) or franchise fees were recognized in the three periods ending March 21, 1992; a \$100,000 decrease from a comparable period in 1991.

As of March 21, 1992 the Company has 26 franchised restaurants open and operating and has sold the rights to develop up to 23 franchised restaurants over the next 5 years. However, the Company's policy is to defer the recognition as income of the sales of these rights which have been collected (\$230,000 deferred as of March 23, 1992) until the related franchised restaurant opens or the franchisee fails to meet the development schedule and forfeits related development rights.

Franchise royalty revenue for the three periods ending March 21, 1992 decreased \$81,642 when compared to the same period in 1991. The decrease is phenomenally due to recognizing less revenue from certain franchises as a result of collectability problems.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth information concerning the amounts and percentages of total restaurant sales compared to the food costs and restaurant operating expenses for Company-owned during the periods indicated.

	Three Periods Ended March 21, 1992		Three Periods Ended March 23, 1991	
	(\$ in thousands)			
	Amount	Percentage	Amount	Percentage
<u>Breakfast/Lunch</u>				
Restaurant Sales	\$2,352	100.0%	\$3,593	100.0%
Costs and Expenses:				
Cost of Sales	578	24.6	918	25.5
Labor	753	32.0	1,162	32.3
Occupancy	570	24.2	943	26.3
Amortization of Pre-Opening Expenses			33	.9
Other Operating Costs	<u>405</u>	<u>17.2</u>	<u>574</u>	<u>16.0</u>
Total Food Costs and Restaurant Operating Expenses	2,306	98.0	3,630	101.0
	46	2.0	(37)	(1.0)
Income (Loss) from Operations				
<u>Dinner Test</u>				
Restaurant Sales	13	100.0	79	100.0
Costs and Expenses	<u>12</u>	<u>92.3</u>	<u>107</u>	<u>135.4</u>
	1	<u>7.7</u>	<u>(28)</u>	<u>(35.4)</u>
Income (Loss) from Operations				
<u>Restaurant Operations</u>				
Total Income (Loss) from Restaurant Operations	<u>47</u>	<u>2.0</u>	<u>(65)</u>	<u>(1.81)</u>
Number of Company-Owned Restaurants at the End of the Period	16		30	
Number of Company-Owned Restaurants with Dinner Test at the End of the Period	1		4	

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total food costs and restaurant operating expenses decreased as a percent of sales by 3% in the first quarter of 1992 when compared to the same period in 1991. Cost of sales and occupancy costs decreased as a percent of sales by .9% and 2.1% respectively. This was offset in part by an increase of 1.2% in other operating costs.

General and administrative expenses for the three periods ended March 21, 1992 decreased \$165,109 or 31.6% when compared to the same period in 1991. This decrease is a result of the reduced number of company restaurants, continued emphasis on downsizing staff and control of expenses.

Net Loss. The net loss decreased by approximately \$129,000 in the first quarter of 1992 when compared to the same period in 1991. Revenues decreased by \$1,507,000; primarily due to the reduction of company owned restaurants from 29 open and operating at the end of the first quarter of 1991 to 16 open and operating at the end of the first quarter in 1992 and lower franchise revenues. This was more than offset by a decrease in costs and expenses of approximately \$1,636,000.

Liquidity and Capital Resources

The Company's cash needs are met by internally generated cash from restaurant operations and franchising activity as well as by a variety of transactions involving Eli S. Jacobs, a Director of the Company and its largest beneficial shareholder, and his various affiliates, ("Jacobs Affiliates"), including loans provided or guaranteed.

The Company has incurred recurring operating losses and has a working capital deficiency of \$17,949,542 and a stockholders' deficit of \$14,914,553 at March 21, 1992. During 1992 and through February 5, 1992, working capital needs have been provided by Jacobs Affiliates through demand loans. On February 5, 1992, Mr. Rhoads acquired Jacob's and his Affiliates' common stock and preferred stock in the Company and most of the debt due to Jacobs' Affiliates, as described in a Form 8-K filed with the S.E.C. on March 12, 1992 and as amended by Form 8 on June 1, 1992, both of which are attached hereto as Exhibit 28.4 (attached as an exhibit hereto and incorporated by reference).

Some of the Company's 1992 working capital needs will be met by an agreement with Eli S. Jacobs, whereby Mr. Jacobs is to loan to the Company's Chairman \$343,853; the Company's Chairman in turn is to advance this amount to the Company. Mr. Jacobs has also agreed to provide to the Company's Chairman additional loans of up to \$500,960. The funds from such loans are required to be advanced by Mr. Rhoads to the Company for the payment of current rent under certain restaurant leases. Except for these limited commitments, no additional commitments exist for funding ongoing working capital needs. The Company is attempting to enter into a loan agreement with a bank, but discussions are only in the preliminary stage and it cannot be determined at this time whether the Company will be successful in obtaining any bank loans.

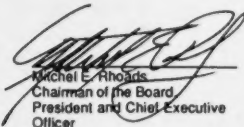
Signatures

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Le Pen Restaurants, Inc.

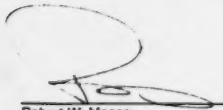
Registrant

Dated: June 30, 1992



Michel E. Rhoads
Chairman of the Board
President and Chief Executive
Officer

Dated: June 30, 1992



Robert W. Moses
Vice President, Finance
Chief Financial Officer